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INFO RUEHAH/AMEMBASSY ASHGABAT 3118
RUEHTA/AMEMBASSY ASTANA 9256
RUEHEK/AMEMBASSY BISHKEK 3732
RUEHDBU/AMEMBASSY DUSHANBE 3594

C O N F I D E N T I A L TASHKENT 001217

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DEPARTMENT FOR SCA/CEN

E.O. 12958: DECL: 07/02/2017

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SUBJECT: EUREKA! NEWMONT MAKES A DEAL WITH GOU

REF: TASHKENT 1187

Classified By: CDA Brad Hanson for reasons 1.4 (b) and (d).

¶1. (C) Newmont Mining's Chairman and Chief Executive Officer told Charge that he expected to sign a settlement agreement with the Government of Uzbekistan on June 29. Under the agreement, the government will pay Newmont \$80 million over the next several months, will pay outstanding obligations to Newmont's suppliers and creditors, including the European Bank for Reconstruction and Development (reftel), and will end criminal actions against the company's former employees. The Government has agreed that once the settlement agreement has been signed it will immediately arrange for the release of a former Newmont employee arrested at Uzbek request in Moscow, and that it also will put forward a letter of credit worth \$80 million. The agreement will enter into force once Newmont verifies that its former employee has been released and JP Morgan Bank confirms that the letter of credit is valid.

¶2. (C) Newmont's Chairman said that he was struck by the speed with which the deal was reached, particularly since as recently as a few months ago the Uzbeks were in no mood to deal. In a matter of weeks, the government's offer went from zero to \$10 million to \$80 million. He said that Deputy Prime Minister Azimov was clearly the decision-maker in the negotiations and appeared motivated by a desire to put the issue behind the government. He speculated that the newfound Uzbek willingness to deal may be because the Uzbeks have found a buyer for the defunct joint venture, but only if clear title to Newmont's assets can be obtained.

¶3. (C) Comment: This deal is good news for Newmont as it recoups the majority of its assets, ends criminal action against its former employees, and gets it out of Uzbekistan cleanly. Whether it is a good deal for the Government of Uzbekistan remains to be seen. The head of the Navoi Metallurgical and Mining Combine said that his organization will continue to operate the defunct joint venture. However, Newmont's Chairman said that his former partners do not have the necessary expertise or ability to procure spare parts for required equipment to run the organization profitably for very long. We suspect that Newmont's Chairman has it right and that the Government of Uzbekistan will sell Newmont's share of the joint venture. We will not be at all surprised if Zeromax and Gulnora Karimova are the ultimate Uzbek beneficiaries of the deal.

HANSON